

Consolidated financial statements of

**The Corporation of the
City of Oshawa**

December 31, 2016

The Corporation of the City of Oshawa

December 31, 2016

Table of contents

Independent Auditor's Report.....	1-2
Consolidated statement of financial position	3
Consolidated statement of operations	4
Consolidated statement of change in net debt	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7-25
Schedule 1	26
Schedule 2	27

Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Oshawa

We have audited the accompanying consolidated financial statements of the Corporation of the City of Oshawa, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Oshawa as at December 31, 2016, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
November 16, 2017

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016

	2016	2015
	\$	\$
Financial Assets		
Cash and cash equivalents	56,017,800	50,439,122
Short-term investments	71,454,700	58,992,528
Taxes receivable	5,549,200	6,500,546
Accounts receivable	10,811,268	5,872,534
Other assets	101,500	101,500
Investment in Oshawa Power and Utilities Corporation (Note 3)	56,348,400	51,918,400
	200,282,868	173,824,630
Liabilities		
Accounts payable and accrued liabilities	24,955,949	26,919,503
Deferred revenue (Note 4)	61,420,674	55,266,546
Employee future benefits and other liabilities (Note 5)	50,555,954	49,525,931
Long-term liabilities (Note 6)	87,399,129	82,599,594
Liability for contaminated sites (Note 7)	3,050,000	3,050,000
	227,381,706	217,361,574
Net Financial Debt	(27,098,838)	(43,536,944)
Non-Financial Assets		
Tangible Capital Assets (Note 9)	582,853,140	575,305,002
Inventory and prepaid expenses	2,972,901	2,822,861
Accumulated Surplus (Note 10)	558,727,203	534,590,919

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF OPERATIONS
year ended December 31, 2016

	Budget (Note 17)	2016	2015
	\$	\$	\$
Revenues			
Property taxation	123,934,044	127,499,714	121,230,919
Taxation from other governments	3,669,500	3,456,285	2,808,481
User charges	18,959,001	20,082,019	23,452,220
Government grants	1,011,731	640,662	999,480
Contributions from developers - earned	1,660,750	1,575,251	2,662,355
Revenue recognized on assumed assets	8,253,700	8,253,708	9,000,425
Federal gas tax revenue	4,529,010	4,529,010	3,024,333
Investment income	1,843,600	2,329,883	1,667,104
Penalties and interest on taxes	1,213,100	1,322,614	1,213,007
Licenses and permits	3,172,900	6,456,741	4,416,118
Fines	1,122,040	1,059,158	1,138,874
Net earnings Oshawa Power and Utilities Corporation (Note 3)	1,235,000	6,330,000	3,906,000
Other	13,588,775	12,229,435	8,363,930
	184,193,151	195,764,480	183,883,246
Expenses (Note 13)			
General government	38,892,000	36,625,377	36,759,882
Protection to persons and property	34,166,570	33,840,480	31,263,371
Transportation services	37,359,773	32,552,115	32,124,053
Environmental services	6,680,344	7,278,169	6,120,627
Health services	227,267	515,283	526,551
Social and family services	1,678,300	1,700,876	1,681,068
Social housing	209,490	234,925	229,977
Recreation and cultural services	50,755,595	54,112,016	55,590,624
Planning and development services	5,316,786	4,768,955	4,652,220
	175,286,125	171,628,196	168,948,373
Annual Surplus	8,907,026	24,136,284	14,934,873
Accumulated surplus, beginning of year	534,590,919	534,590,919	519,656,046
Accumulated surplus, end of year	543,497,945	558,727,203	534,590,919

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
year ended December 31, 2016

	2016	2015
	\$	\$
Annual Surplus	24,136,284	14,934,873
Amortization of tangible capital assets	26,429,175	25,661,386
Acquisition of tangible capital assets net of transfers from Work-in Progress	(35,159,987)	(26,091,309)
Loss on disposal/write down of tangible capital assets	1,182,674	3,168
Change in inventory and prepaid expenses	(150,040)	(248,545)
Decrease in net debt	16,438,106	14,259,573
Net debt, beginning of year	(43,536,944)	(57,796,517)
Net debt, end of year	(27,098,838)	(43,536,944)

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF OSHAWA
CONSOLIDATED STATEMENT OF CASH FLOWS
year ended December 31, 2016

	2016	2015
	\$	\$
Operating Activities		
Annual consolidated surplus	24,136,284	14,934,873
Items not involving cash:		
Amortization	26,429,175	25,661,386
Loss on disposal/write down of tangible capital assets	1,182,674	3,168
Assumed assets recognized as revenue	(8,253,708)	(9,000,425)
Net earnings of Oshawa Public Utilities Corporation	(6,330,000)	(3,906,000)
Net changing in non-cash working capital:		
Taxes receivable	951,346	(288,497)
Accounts receivable	(4,938,734)	(563,325)
Accounts payable and accrued liabilities	(1,963,554)	1,368,451
Deferred revenue	6,154,128	8,964,293
Employee future benefits and other liabilities	1,030,023	1,742,581
Inventory and prepaid expenses	(150,040)	(248,545)
Cash provided by Operating Activities	38,247,594	38,667,960
Capital Activities		
Acquisition of tangible capital assets	(26,906,279)	(17,090,884)
Financing		
Debenture debt retired	(5,910,465)	(5,699,024)
New debt issued	10,710,000	-
Cash (consumed) provided by Financing Activities	4,799,535	(5,699,024)
Investing		
Net change in short-term investments	(12,462,172)	(19,734,783)
Dividend received from OPUC	1,900,000	1,800,000
Cash consumed by Investing Activities	(10,562,172)	(17,934,783)
Increase (decrease) in cash and cash equivalents	5,578,678	(2,056,731)
Cash and cash equivalents, beginning of year	50,439,122	52,495,853
Cash and cash equivalents, end of year	56,017,800	50,439,122

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

The Corporation of the City of Oshawa is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the City of Oshawa (the "City") are the representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the City are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards controlled by the City, including the following:

Oshawa Public Library Board
Oshawa Central Business District Improvement Area

Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.

The City's investment in the Oshawa Power and Utilities Corporation ("OPUC") is accounted for on the modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of OPUC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from OPUC will be reflected as reductions in the investment asset account.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The consolidated financial statements are prepared under the accrual basis of accounting.

The accrual basis of accounting recognizes revenue in the fiscal year in which transactions or events occurred that gave rise to the revenue and became measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets excluding land is amortized on a straight line basis over their estimated useful lives as follows:

	Useful life - years
Land improvements	20 - 40
Buildings	10 - 50
Machinery and equipment	3 - 25
Vehicles	4 - 25
Furniture	7
Linear assets	15 - 50
Other assets	5 - 50

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets classified as work-in-progress are not amortized until the asset is available for productive use.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value on the earlier of the date received or of the transfer of risk and responsibility. Contributed assets are recorded as revenue.

Intangible Assets

Intangible assets and natural resources that have been purchased are not recognized as assets in the financial statements.

Interest Capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of tangible capital assets.

Reserves and Reserve Funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from these reserves and reserve funds are reported as an adjustment to the respective fund when approved. Reserves and reserve funds form part of the accumulated surplus balance.

Government Transfers

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenue

The City receives development charge contributions, payments in lieu of parkland and gas tax funding under the authority of federal/provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year they are expended. The City also receives revenue for user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are also recorded as deferred revenue and will be recognized as revenues in the fiscal year the services are performed.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation and Related Revenue

Property tax billings are prepared by the City based on an assessment roll provided by the Municipal Property Assessment Corporation ("MPAC"). All assessed property values in the City are established by MPAC based on a common valuation date.

Investment Income

Investment income is reported as revenue in the fiscal year earned. Investment income earned on development charges, parkland obligatory reserve funds and federal gas tax reserve funds is added to the reserve fund balance and forms part of the respective deferred revenue balance.

Post-Employment Benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs. Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

Liability for Contaminated Sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the City's obligation to incur these costs is either not determinable, or if an amount cannot be reasonable estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

Accounting for School Boards and Region of Durham Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and Region of Durham are not reflected in the municipal balances of these financial statements.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the “Trust Funds Statement of Financial Activities and Fund Balance” and the “Trust Funds Statement of Financial Position”.

Use of Estimates

The preparation of consolidated financial statements, in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Accounts requiring significant estimates include accounts receivable, accrued liabilities, employee future benefits and other liabilities, and tangible capital assets.

2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF DURHAM

During 2016, requisitions were made by the School Boards and the Region of Durham requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized in the following table:

	2016			2015
	School Boards	Region	Total	Total
Property taxes	\$51,529,001	\$127,858,422	\$179,387,423	\$177,461,046
Taxation from other governments	-	2,009,968	2,009,968	1,984,212
Total amounts transferred	\$51,529,001	\$129,868,390	\$181,397,391	179,445,258

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

3. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION

In accordance with the requirements of Bill 35 (the Energy Competition Act, 1998), the City passed a transfer by-law, effective November 1, 2000, that transferred substantially all of the assets and liabilities of Oshawa Public Utilities Commission ("the Commission") to Oshawa Power and Utilities Corporation ("O.P.U.C."). O.P.U.C. has carried on the former business of the Commission with all the rights, duties, obligations, and responsibilities. The City is the sole shareholder of the O.P.U.C.

The City's investment in O.P.U.C. is as follows:

	2016	2015
	\$	\$
Balance, beginning of year	51,918,400	49,812,400
Changes during the year		
Net income for the year	6,330,000	3,906,000
	58,248,400	53,718,400
Dividend received from O.P.U.C.	(1,900,000)	(1,800,000)
Balance, end of year	56,348,400	51,918,400

The City holds 1,000 common shares of the O.P.U.C. representing 100% of the outstanding shares. With Council approval, the proceeds from the current year dividend were transferred to operations with a corresponding reduction in equity in O.P.U.C.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

3. INVESTMENT AND EQUITY IN OSHAWA POWER AND UTILITIES CORPORATION (continued)

The following table provides condensed financial information in respect of the financial position of OPUC as at December 31, 2016 and its operations.

	2016 (000's)	2015 (000's)
	\$	\$
Assets		
Current	45,182	38,497
Capital and intangibles	137,788	130,667
Other	6,581	7,216
Total assets	189,551	176,380
Regulatory balances	4,830	6,335
Total assets and regulatory balances	194,381	182,715
Liabilities		
Current	32,780	27,672
Long-term debt	48,670	48,925
Other	48,584	46,557
Total liabilities	130,034	123,154
Shareholders' equity		
Share capital	23,064	23,064
Accumulated other comprehensive loss	(1,190)	(1,800)
Retained earnings	34,474	30,654
Total equity	56,348	51,918
Regulatory balances	7,999	7,643
Total liabilities, equity and regulatory balances	194,381	182,715
Comprehensive Income		
Commodity revenue	148,625	131,936
Commodity expenses	(146,563)	(131,343)
Distribution revenue	22,524	19,469
Operating expenses	(15,215)	(12,933)
Other income (expense)	(1,668)	(1,859)
Accumulated other comprehensive loss	610	(870)
Net movements in regulatory balances, net of tax	(1,983)	(494)
Total comprehensive income for the year	6,330	3,906

Included in revenue above is \$4,747,804 (2015 - \$5,707,586) earned from the City for services provided. Operating expenses above include \$307,428 (2015 - \$301,916) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	2016	2015
Obligatory reserve funds		
Development charges	\$46,803,186	\$39,481,062
Parkland	1,174,528	1,066,225
Federal gas tax	9,078,162	9,007,743
Other	4,364,798	5,711,516
Total	\$61,420,674	\$55,266,546

Continuity of deferred revenue is as follows:

	2016	2015
Balance, beginning of year	\$55,266,546	\$46,302,253
Developer contributions collected	\$7,619,541	\$9,969,540
Federal gas tax	4,548,529	4,331,933
Other collections	6,284,600	6,366,523
Interest earned	267,237	355,525
	18,719,907	21,023,521
Less:		
Developer contributions used	1,575,251	2,662,355
Federal gas tax used	4,529,010	3,024,333
Transfer to operating	750,000	1,947,000
General deferred revenue used	5,711,518	4,425,540
	12,565,779	12,059,228
Balance, end of year	\$62,420,674	\$55,266,546

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

5. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

Employee benefits, post-employment and other liabilities are comprised of the following:

	2016	2015
Future payments required to WSIB	\$10,073,300	\$9,623,641
Accumulated sick leave benefit plan entitlements	8,176,358	8,563,726
Post-employment benefits	31,313,214	30,296,442
Other liabilities	993,083	1,042,122
Total	\$50,555,955	\$49,525,931

(a) Future payments required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act, the City has elected to be treated as a Schedule 2 employer and therefore remits payments to the WSIB as required to fund disability payments. The estimated liability reported in these financial statements is based on an actuarial valuation completed as of December 31, 2016.

(b) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, unused sick leave can accumulate and some employees may become entitled to a cash payment when they leave the City's employ. The estimated liability reported in these financial statements is based on an actuarial valuation completed as of December 31, 2016

(c) Post-employment benefits

The City makes available to qualifying employees certain non-pension retirement benefits for extended health care and life insurance.

The estimated liability reported in these financial statements is based on an actuarial valuation completed as of December 31, 2016.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

5. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES (continued)

The significant actuarial assumptions adopted in estimating the City's accrued post-employment benefits liability are as follows:

Discount rate – benefit plans	4.0%
Discount rate – sick leave	3.25%
Future inflation rates	2.0% per annum
Medical benefit cost escalation	8.0% per year reducing to 5.0% after 6 years

Information about the City's employee benefits, post employment benefits and other liabilities is as follows:

Liability for post-employment benefits as at Jan. 1, 2016	\$49,525,931
Current period service cost	1,508,976
Amortization of actuarial losses	50,773
Interest	1,774,616
Benefits paid	(2,304,341)
Liability for post-employment benefits as at Dec. 31, 2016	\$50,555,955

The accrued benefit liability as of year end is determined as follows:

Accrued benefit obligation	\$50,555,955
Unamortized actuarial losses	-
Liability for post-employment benefits and other liabilities	\$50,555,955

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

8. INTERNAL DEBT

The City issues internal debt through the use of Interfund Notes (IFN). Interfund Notes represent an investment of surplus cash used to finance capital projects. The City has two forms of IFNs: notes to generate incremental revenue and notes to finance City owned capital projects.

IFNs issued to generate incremental revenue are an investment by the City in projects that are not owned by the City. The new revenue streams from these investments will retire the IFN used to fund the project, and ultimately realize revenue in the future to reduce tax levy pressures.

The interest rate charged on IFNs to finance City owned capital projects is prime rate, at the issuance of the note, less half a percent.

The City's Interfund Note balance at December 31, 2016 is \$13,756,915; comprised of the following:

	2016	2015
IFNs to Generate Incremental Revenue:		
44 Bond Street Redevelopment	\$284,306	\$405,517
Durham Consolidated Courthouse	-	1,460,149
UOIT Downtown Campus	1,492,026	1,569,623
	<u>\$1,776,332</u>	<u>\$3,435,289</u>
IFNs to Finance Capital Projects:		
Parking Revenue Control Systems	\$ 78,097	\$139,949
City Hall Revitalization	4,746,643	5,437,885
MLELS Office Space (44 Simcoe St.)	188,805	217,642
Amazing Spaces Projects	2,918,872	3,769,782
Fire Hall #6	3,026,166	3,325,000
Oshawa Harbour	750,000	-
Roads	272,000	-
	<u>\$11,980,583</u>	<u>\$12,890,258</u>
Total	<u><u>\$13,756,915</u></u>	<u><u>\$16,325,547</u></u>

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

9. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2016	2015
Land	\$132,145,759	\$133,313,862
Land improvements	21,122,004	22,331,255
Buildings	148,372,204	149,998,858
Machinery & equipment	11,961,628	10,773,808
Vehicles	10,440,318	8,407,227
Furniture	328,538	482,231
Linear assets	239,572,679	235,148,287
Other assets	5,428,937	6,434,928
	<u>\$569,372,067</u>	<u>\$566,890,456</u>
Work-in-progress	13,481,073	8,414,546
Total	<u><u>\$582,853,140</u></u>	<u><u>\$575,305,002</u></u>

i) Contributed tangible capital assets

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways, and storm sewer lines installed by a developer as part of a subdivision agreement. Transfers of tangible capital assets in 2016 amounted to \$8,253,708 (2015 - \$9,000,425).

ii) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

iii) Works of art and historical treasures

The City protects and preserves a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016	2015
Operating fund	\$567,360	\$142,324
Capital fund	(6,566,470)	(13,120,886)
Reserves and reserve funds	66,529,856	55,521,584
Unfunded liabilities	(141,005,083)	(135,175,505)
Net equity in OPUC	56,348,400	51,918,400
Invested in tangible capital assets	582,853,140	575,305,002
Total	\$558,727,203	\$534,590,919

11. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all regular, full-time and eligible other-than-continuous full-time employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions made by the City in 2016 amounted to \$6,557,898 (2015 - \$6,707,713).

12. TRUST FUNDS

Trust funds administered by the City amounting to \$1,508,940 (2015 - \$1,113,574) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

13. EXPENSES BY OBJECT

The following is a summary of the expenses reported on the Consolidated Statement of Operations by object of expenses:

	2016	2015
Salaries, wages and benefits	\$90,152,022	\$90,423,539
Interest on long-term debt	3,398,246	3,593,784
Materials and supplies	47,217,379	44,942,075
Rents and financial expenses	206,558	171,856
Transfer payments	4,224,816	4,155,733
Amortization	26,429,175	25,661,386
Total	\$171,628,196	\$168,948,373

14. CONTINGENCIES

The City of Oshawa has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2016 and accordingly no provision has been made in these financial statements for any liability that may result.

The City transferred its responsibility for public transit to the Region of Durham on January 1, 2006 and all related assets and liabilities. Despite this, the Region of Durham has stated the City should fund the employee related liabilities accrued prior to January 1, 2006. In March 2011, the Region issued a statement of claim against the City to determine responsibility for the obligation through a legal process. The amount of the settlement, if any, is not determinable at this time.

15. COMMITMENTS

Minimum payments under operating leases for computer equipment and occupancy at 44 Simcoe Street are as follows:

2017	\$ 539,317
2018	\$ 362,808
2019	\$ 199,814
2020	\$ 68,000
Thereafter	\$ 0

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

16. GUARANTEES

The City's primary guarantees include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the City to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the City from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the City has not made any significant payments under such or similar indemnification agreements and therefore, no amount has been accrued in the financial statements with respect to these agreements.

17. BUDGET FIGURES

The budgets originally approved by City Council for 2015, adjusted as noted below, are reflected on the Consolidated Statement of Operations.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Council approved budget.
- Amounts included in the original Council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category.

THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016

17. BUDGET FIGURES (continued)

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements. For Tangible Capital Assets, budgets are set for individual projects. As many capital projects are carried out over one or more years it is not practical to present annualized budget information on the Consolidated Statement of Change in Net Debt.

18. SEGMENTED REPORTING

The City of Oshawa is a diversified lower tier municipal government that provides a wide range of services to the residents including Fire, Library, Recreation, Waste Collection, Airport, Cemetery, and others. For segmented reporting purposes, financial information is presented by functional classification as categorized by the Financial Information Return required by the Province.

General Government

Corporate Services and the City Manager's Office are primarily responsible for the provision of internal services that support the work of City Council, management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through the governance and corporate management divisions including City Clerk, Information Technology, Finance, and Human Resources.

Protection to Persons and Property

Protection is comprised of Fire Services and Municipal Law Enforcement and Licensing Services ("MLELS"). Fire Services is responsible to provide fire suppression, fire prevention, education, planning and emergency incident services to the City of Oshawa. MLELS is responsible for the investigation and enforcement of various municipal by-laws related to property standards, lot maintenance, zoning, signs, noise, parking and animal services.

18. SEGMENTED REPORTING (continued)

Transportation Services

The majority of transportation services are provided by Works and Transportation and Engineering Services. The primary responsibilities include inspection and maintenance of the City roads, sidewalks and storm drainage networks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control.

Environmental Services

Environmental Services are provided by Parks and Environmental Services and Engineering Services. Responsibilities include sustaining the quality of life for the residents of the City of Oshawa through the collection of organics and residual waste, and monitoring and administering environmental programs.

Health and Social Services

Cemetery Services is the only City branch in this category. Union Cemetery provides maintenance and administration of cemetery operations. Additionally, it ensures the benefit and protection of each citizen who has purchased or has an interest in interment rights within the cemetery.

Recreation and Cultural Services

Recreation Services provide public services that contribute to neighbourhood development and sustainability, the provision of recreation and leisure services such as fitness, skating and aquatic programs, and the support of arts and culture. Parks and Environmental Services provide the maintenance, improvement and beautification of parks and trails. This segment includes the Oshawa Public Library which provides facilities and materials to meet the informational, educational, recreational and cultural needs of the City's residents.

Planning and Development Services

Development Services manages urban and rural development, local neighbourhood planning, community development and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties. Development Services also develops and maintains the City's Official Plan and Zoning By-laws and amendments, provides economic and business development, real estate services and administers the Oshawa Municipal Airport.

**THE CORPORATION OF THE CITY OF OSHAWA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended December 31, 2016**

18. SEGMENTED REPORTING (continued)

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

THE CORPORATION OF THE CITY OF OSHAWA
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
year ended December 31, 2016

	Land \$	Land Improvements \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Furniture \$	Linear Assets \$	Other Assets \$	Work-in Progress \$	2016 Total \$
Balance, beginning of year	133,313,862	42,062,943	243,379,006	22,088,809	21,713,286	1,956,216	450,898,813	14,911,665	8,414,547	938,739,147
Additions	5,302	347,807	6,109,058	3,457,356	3,685,949	46,898	16,420,946	20,145	12,757,718	42,851,179
Disposals/Write Downs	(1,173,405)	(316,499)	-	(950,946)	(23,465)	(148,489)	(9,050,021)	(784,287)	(7,691,192)	(20,138,304)
	132,145,759	42,094,251	249,488,064	24,595,219	25,375,770	1,854,625	458,269,738	14,147,523	13,481,073	961,452,022
Balance, beginning of year	-	19,731,688	93,380,148	11,315,001	13,306,059	1,473,985	215,750,526	8,476,738	-	363,434,145
Amortization Expense		1,557,057	7,735,712	2,269,536	1,652,858	200,591	11,981,085	1,032,336	-	26,429,175
Amortization Disposal		(316,498)	-	(950,946)	(23,465)	(148,489)	(9,034,552)	(790,488)	-	(11,264,438)
	-	20,972,247	101,115,860	12,633,591	14,935,452	1,526,087	218,697,059	8,718,586	-	378,598,882
	132,145,759	21,122,004	148,372,204	11,961,628	10,440,318	328,538	239,572,679	5,428,937	13,481,073	582,853,140

THE CORPORATION OF THE CITY OF OSHAWA
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
year ended December 31, 2015

	Land \$	Land Improvements \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Furniture \$	Linear Assets \$	Other Assets \$	Work-in Progress \$	2015 Total \$
Balance, beginning of year	133,277,900	40,907,162	222,865,170	18,758,660	21,543,696	2,037,807	445,276,785	15,630,687	22,127,446	922,425,313
Additions	35,962	1,662,809	20,513,836	4,023,114	286,642	20,019	13,088,620	173,206	10,691,141	50,495,349
Disposals/Write Downs	-	(507,028)	-	(692,965)	(117,052)	(101,610)	(7,466,592)	(892,228)	(24,404,040)	(34,181,515)
	133,313,862	42,062,943	243,379,006	22,088,809	21,713,286	1,956,216	450,898,813	14,911,665	8,414,547	938,739,147
Balance, beginning of year	-	18,705,666	86,044,611	9,943,560	11,886,371	1,333,427	211,362,418	8,271,013	-	347,547,066
Amortization Expense	-	1,533,048	7,335,537	2,061,241	1,536,740	242,168	11,854,700	1,097,952	-	25,661,386
Amortization Disposal	-	(507,026)	-	(689,800)	(117,052)	(101,610)	(7,466,592)	(892,228)	-	(9,774,309)
	-	19,731,688	93,380,148	11,315,001	13,306,059	1,473,985	215,750,526	8,476,738	-	363,434,145
	133,313,862	22,331,255	149,998,858	10,773,808	8,407,227	482,231	235,148,287	6,434,927	8,414,547	575,305,002

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

year ended December 31, 2016

	2016							
	Protection to Persons and Property	Transportation Services	Recreation and Culture	Planning and Development	Environmental Services	Health and Social Services	General Government	Total Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	32,096,646	8,707,932	26,046,158	4,380,388	2,178,124	256,302	16,486,470	90,152,020
Debt servicing (interest)	-	48,370	2,661,365	-	-	-	688,511	3,398,246
Amortization	1,257,581	12,026,850	7,830,803	424	2,773,840	87,969	2,451,708	26,429,175
Other expenses	486,253	11,768,963	17,573,690	388,143	2,326,205	2,106,813	16,998,688	51,648,754
	33,840,480	32,552,115	54,112,016	4,768,955	7,278,169	2,451,084	36,625,377	171,628,196
External tax revenues	25,792,797	24,810,822	41,243,513	3,634,839	5,547,331	1,868,186	28,058,512	130,955,999
External non-tax revenues	7,083,357	20,620,147	15,966,741	2,269,844	3,390,030	2,360,286	6,788,076	58,478,481
Net income OPUC	-	-	-	-	-	-	6,330,000	6,330,000
	32,876,154	45,430,969	57,210,254	5,904,683	8,937,361	4,228,472	41,176,587	195,764,480
Net surplus (deficit) before transfers	(964,326)	12,878,854	3,098,238	1,135,728	1,659,192	1,777,388	4,551,209	24,136,284

THE CORPORATION OF THE CITY OSHAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

year ended December 31, 2015

	2015							
	Protection to Persons and Property	Transportation Services	Recreation and Culture	Planning and Development	Environmental Services	Health and Social Services	General Government	Total Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	29,708,796	9,838,888	24,645,935	4,023,774	1,937,583	272,907	19,995,656	90,423,539
Debt servicing (interest)	-	24,069	2,689,973	-	-	-	879,741	3,593,784
Amortization	1,133,885	11,965,330	7,920,159	424	2,583,123	83,957	1,974,508	25,661,386
Other expenses	420,690	10,295,766	20,334,557	628,022	1,599,921	2,080,732	13,909,977	49,269,664
	31,263,371	32,124,053	55,590,624	4,652,220	6,120,627	2,437,596	36,759,882	168,948,373
External tax revenues	22,953,105	23,585,006	40,813,815	3,415,591	4,493,674	1,789,647	26,988,561	124,039,400
External non-tax revenues	4,856,715	20,108,520	18,781,346	2,067,870	2,137,132	1,943,623	6,042,640	55,937,846
Net income OPUC	-	-	-	-	-	-	3,906,000	3,906,000
	27,809,820	43,693,526	59,595,161	5,483,461	6,630,806	3,733,270	36,937,201	183,883,246
Net surplus (deficit) before transfers	(3,453,551)	11,569,472	4,004,537	831,241	510,179	1,295,674	177,319	14,934,873